

U.S. Economic Outlook

Association of American Railroads

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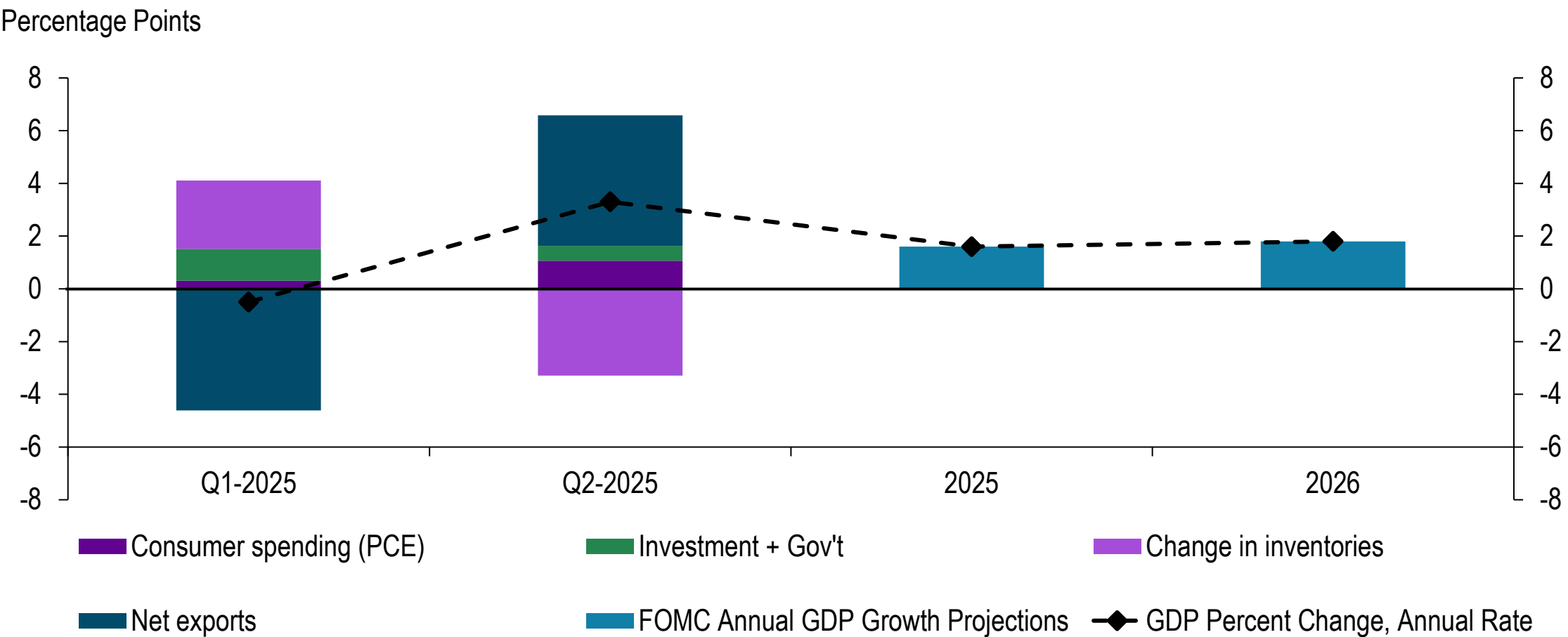
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Outlook Themes

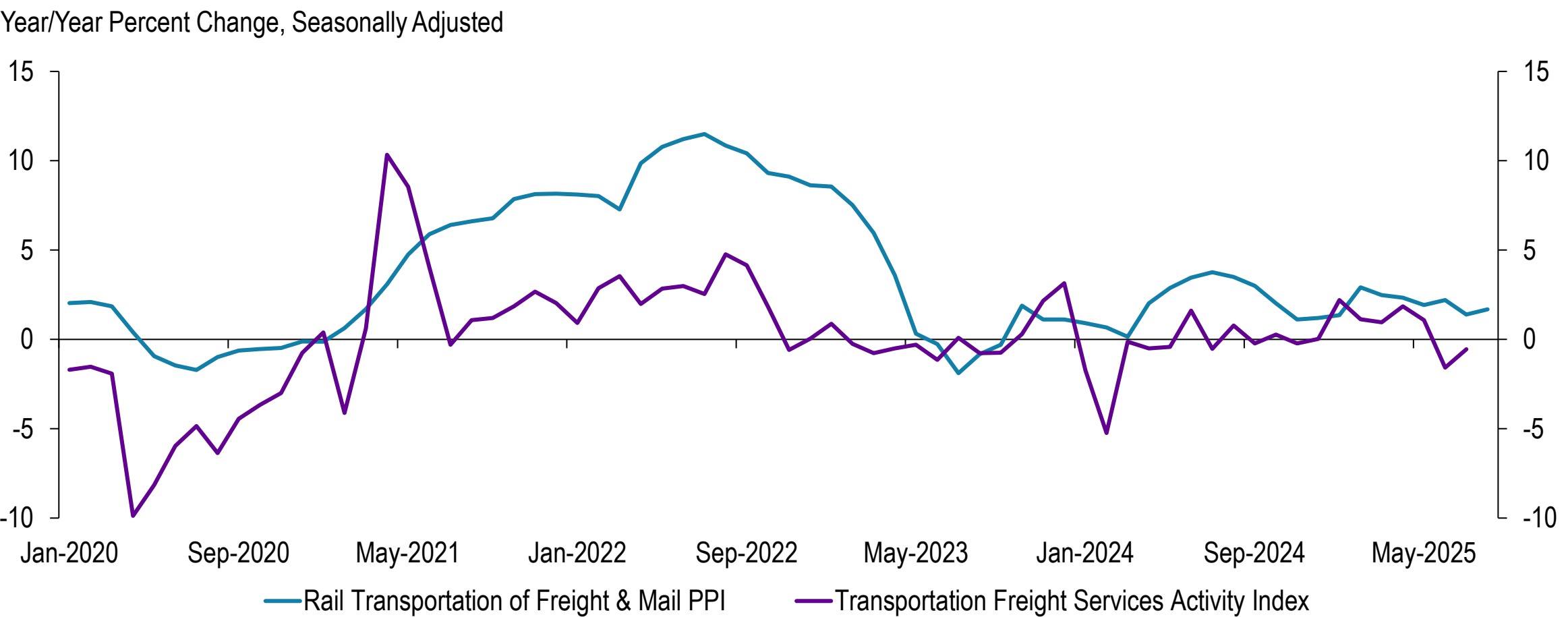
- Many segments of the economy show signs of stable demand.
- Higher prices from tariffs are yet to fully show but appear to be putting additional pressure on goods prices.
- Balance of risks are shifting towards the labor side of the Fed mandate, but without additional progress on lower inflation.
- Markets have priced in 50 basis points of additional cuts in the federal funds rate by year-end.

After rebounding in Q2, output growth is expected to moderate to below trend by year-end.



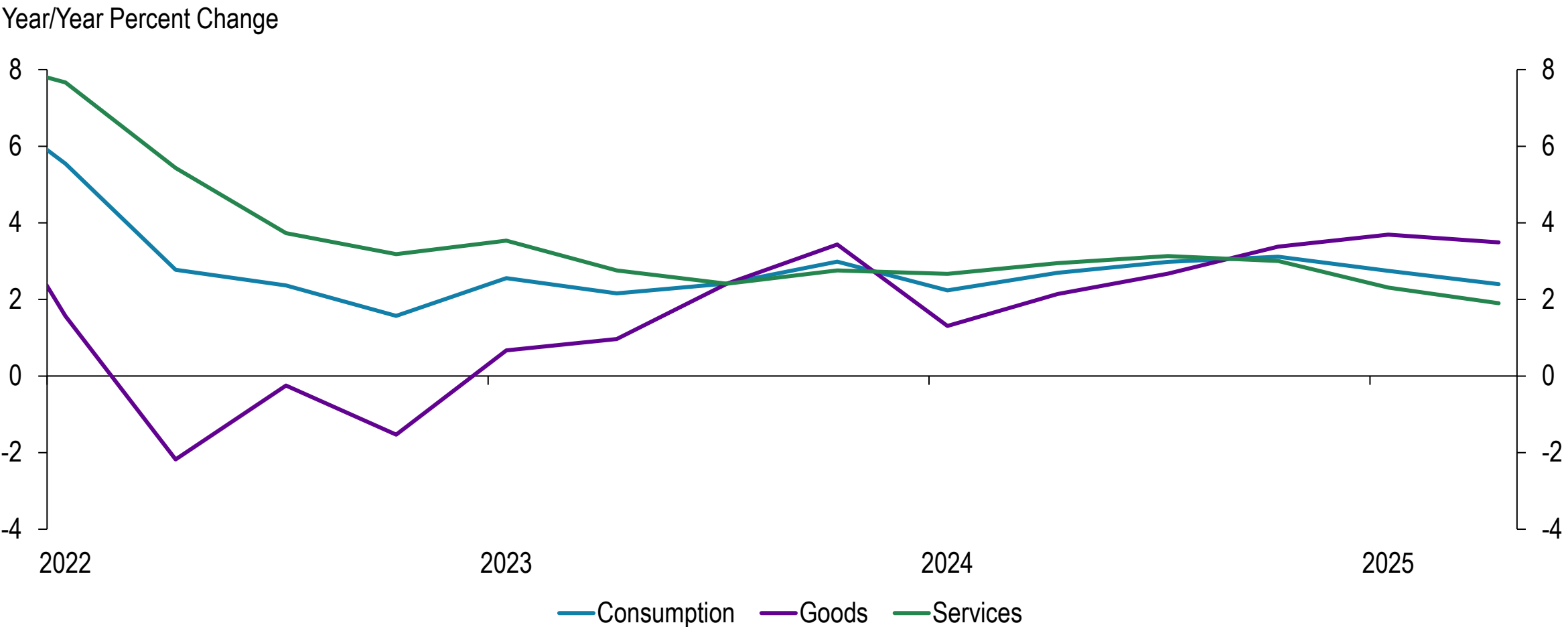
Sources: Bureau of Economic Analysis, Federal Reserve Board, Haver Analytics

Freight activity has declined slightly compared to last year, while freight cost continues to grow modestly.



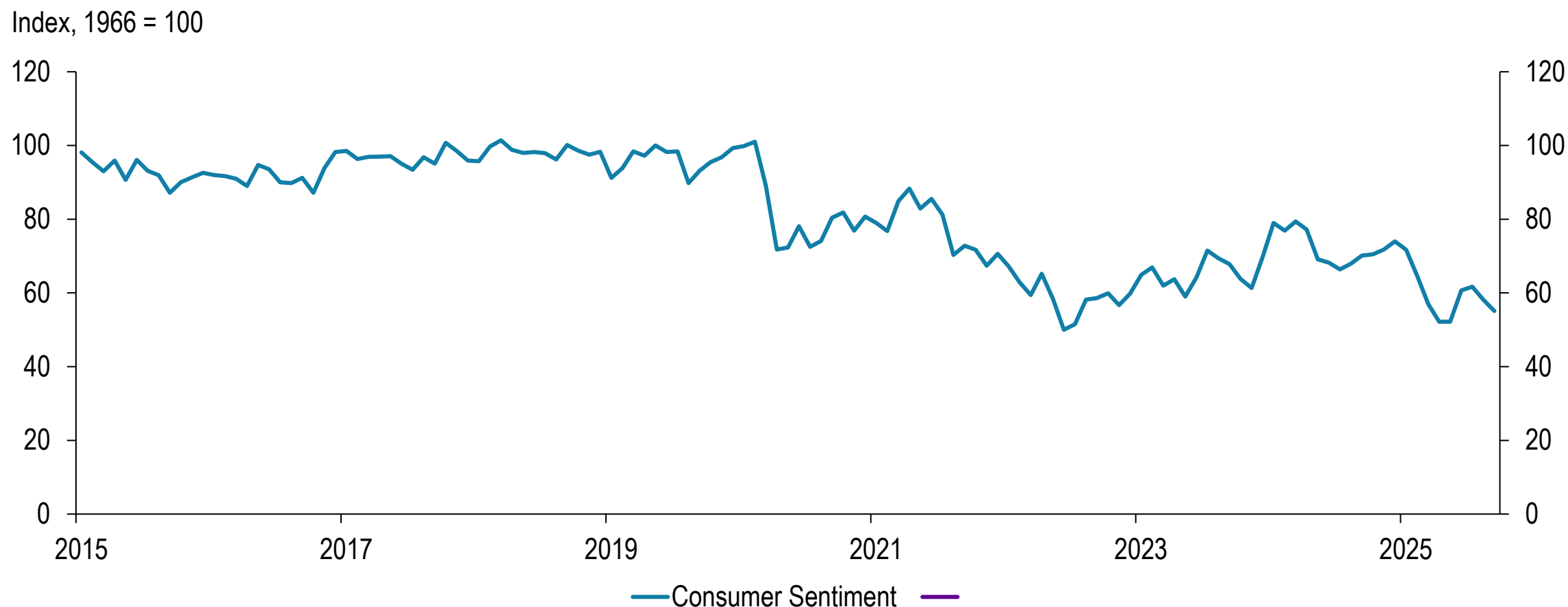
Sources: Bureau of Labor Statistics, Bureau of Transportation Statistics

Consumer spending continues to grow at solid pace.

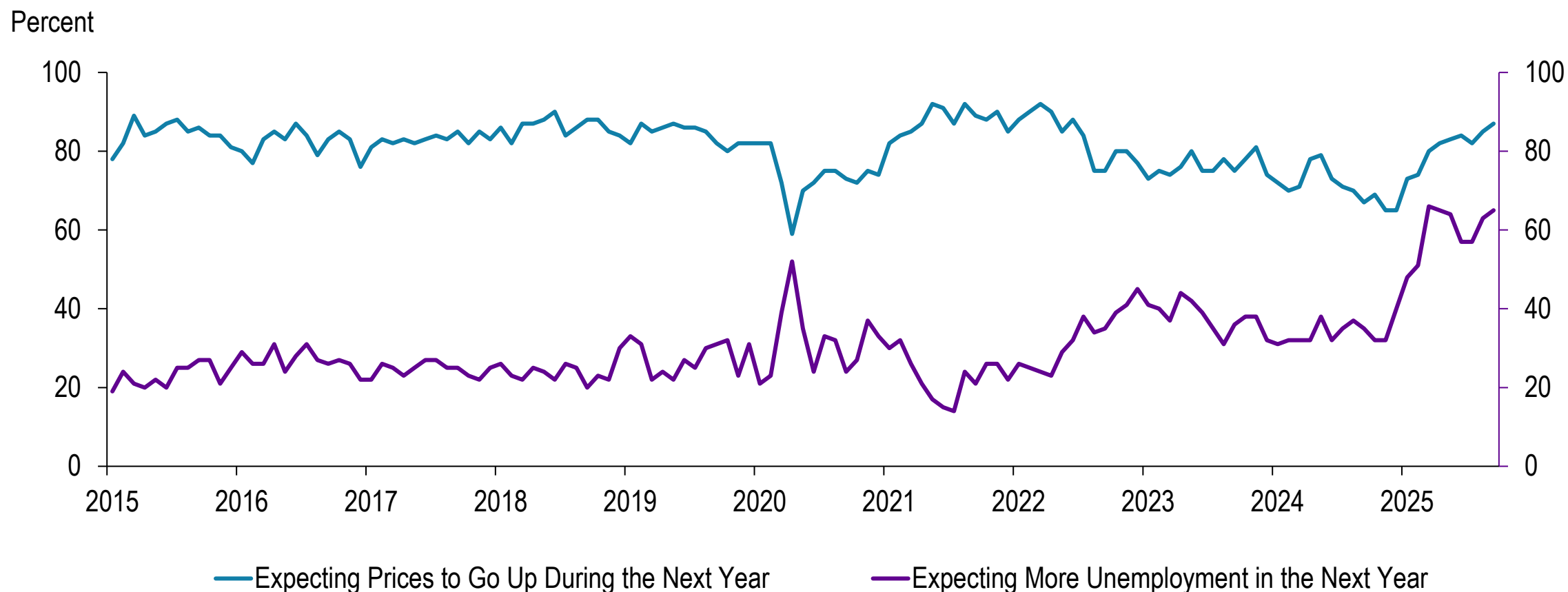


*Measured as Real PCE or components of Real PCE.

Consumer sentiment remains below levels from the beginning of the year.

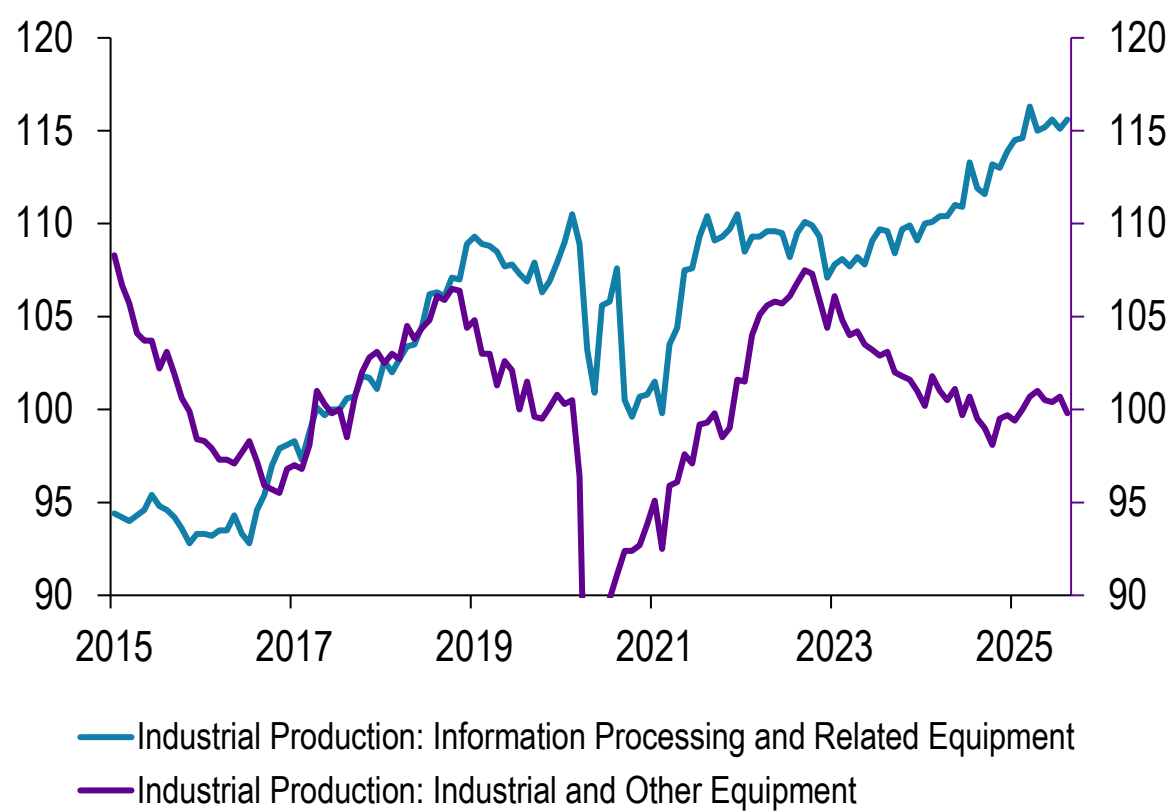


More consumers expect higher prices and unemployment in the next 12 months.

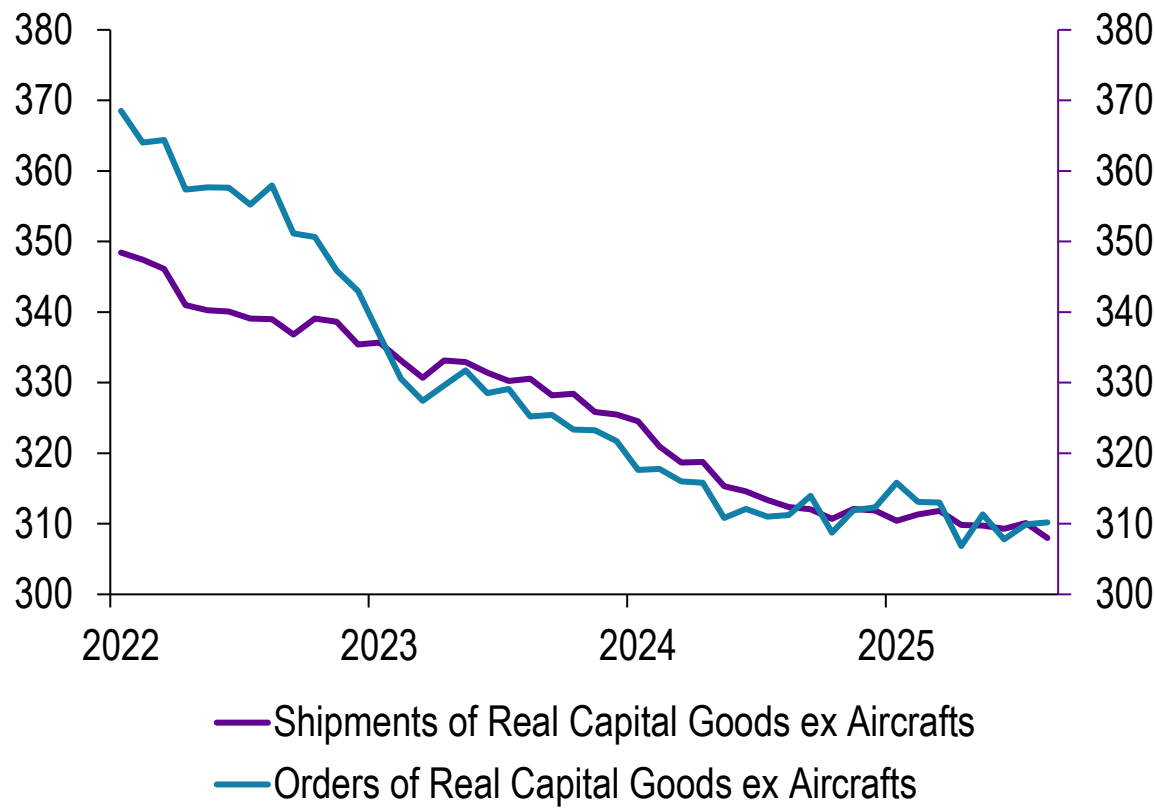


Investment in the economy is holding steady with continued gains from information processing.

Index, Seasonally Adjusted, 2017 = 100

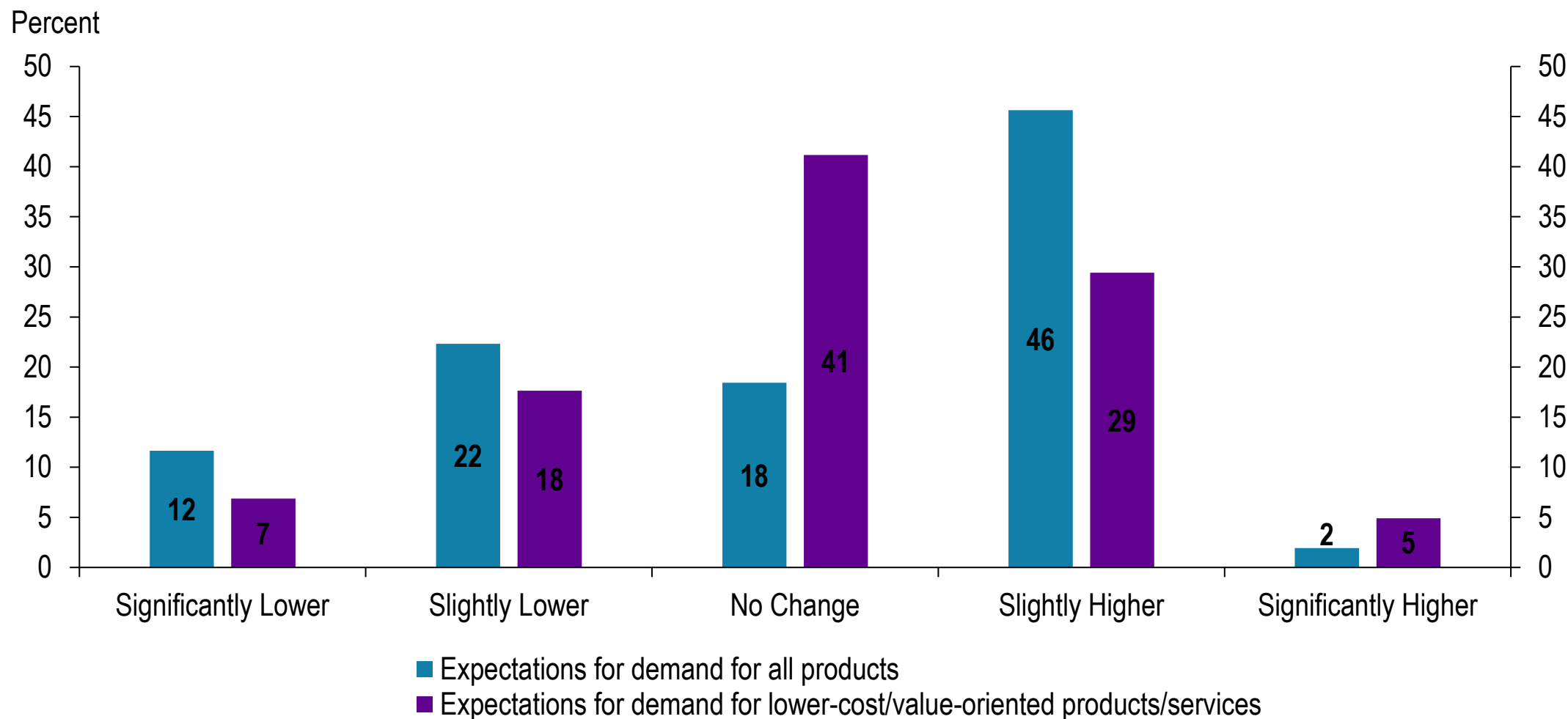


Millions of Dollars, Seasonally Adjusted



Sources: Bureau of Labor Statistics, Census Bureau, Federal Reserve Board, Haver Analytics

Regional manufacturing contacts on net report increases in expected demand.

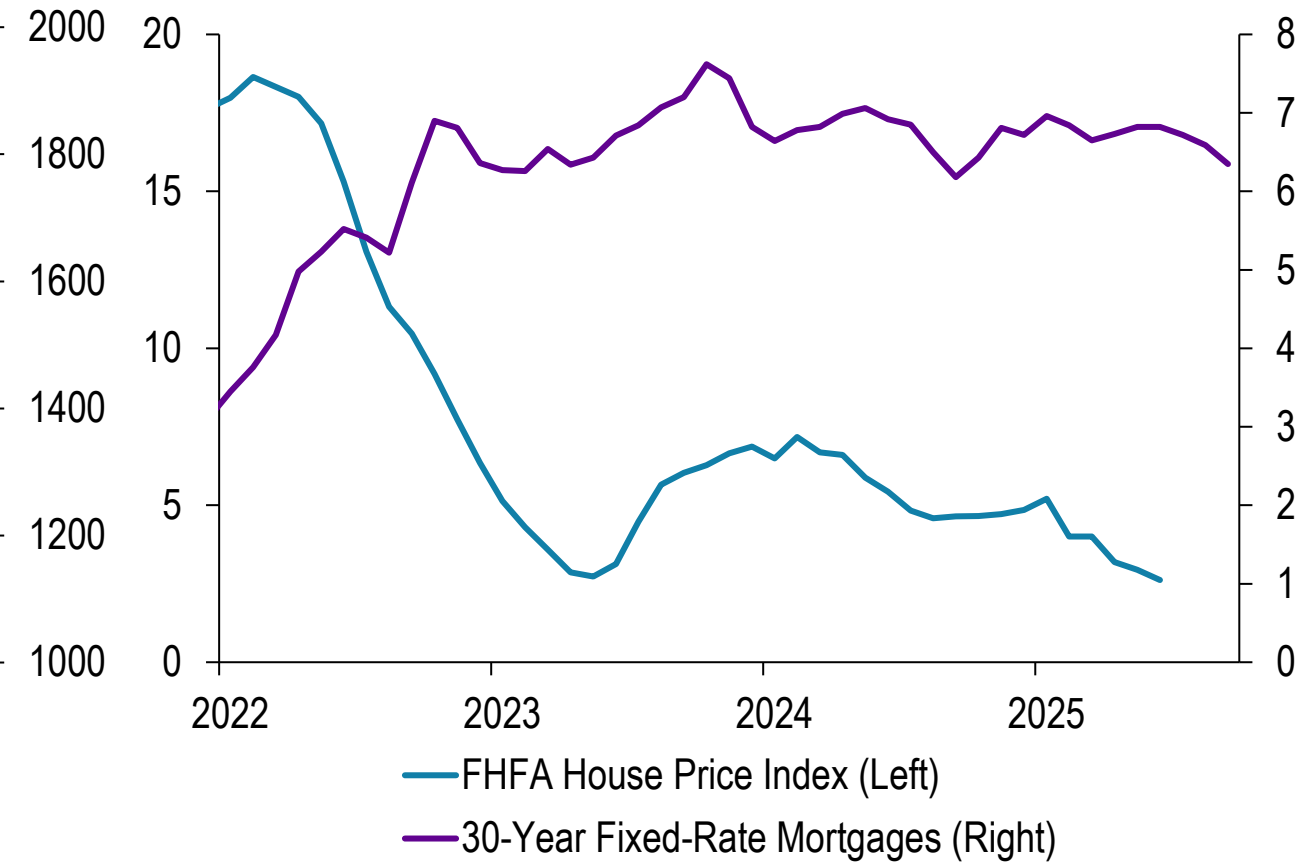


Housing activity is mostly flat along side moderating price growth.

Thousands of Units, Seasonally Adjusted at Annual Rates

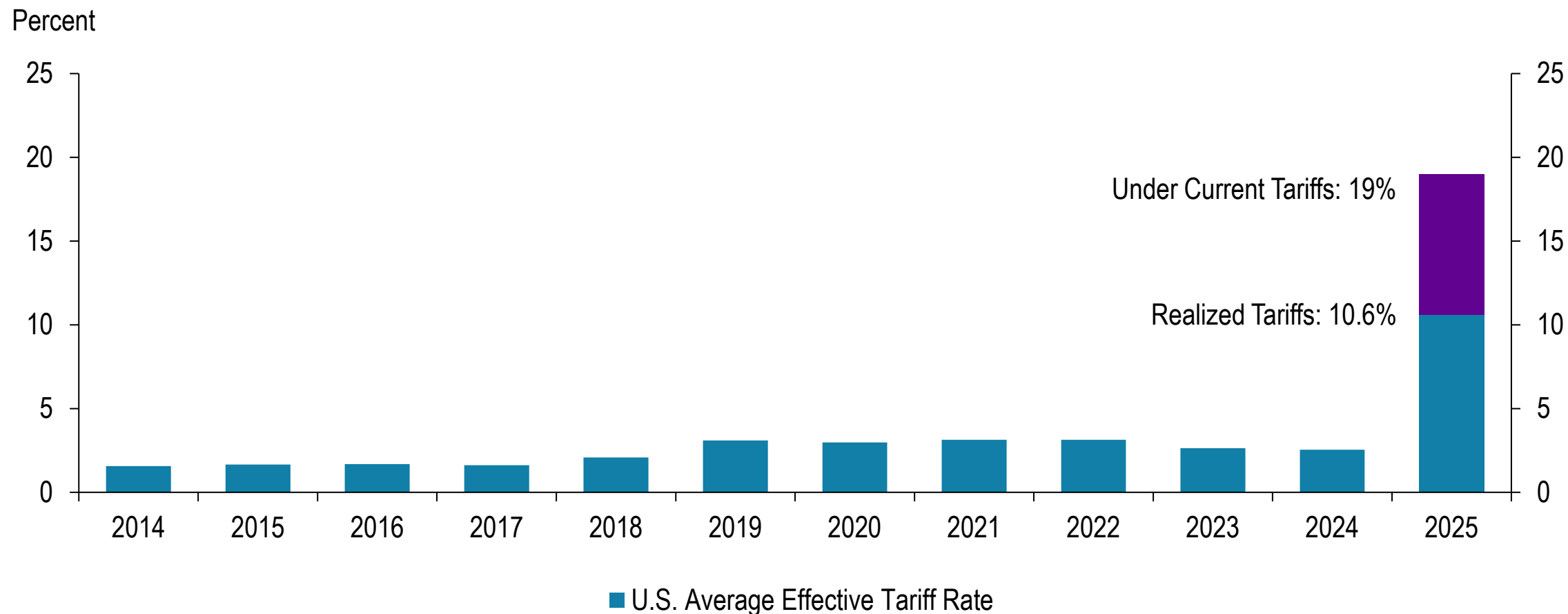


Year/Year Percent Change



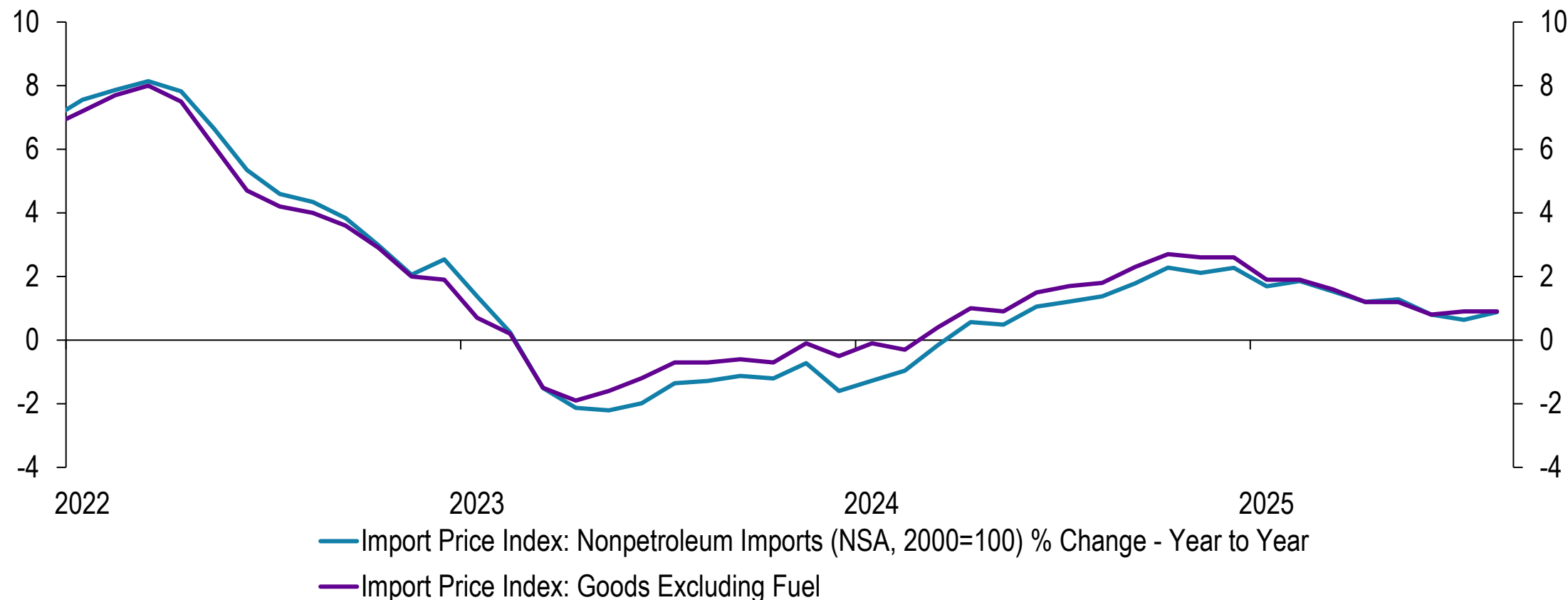
Sources: Census Bureau, Federal Home Loan Mortgage Corporation, Federal Housing Finance Agency, Haver Analytics

Tariff rates have moved even higher over the past month but what importers are paying is less.

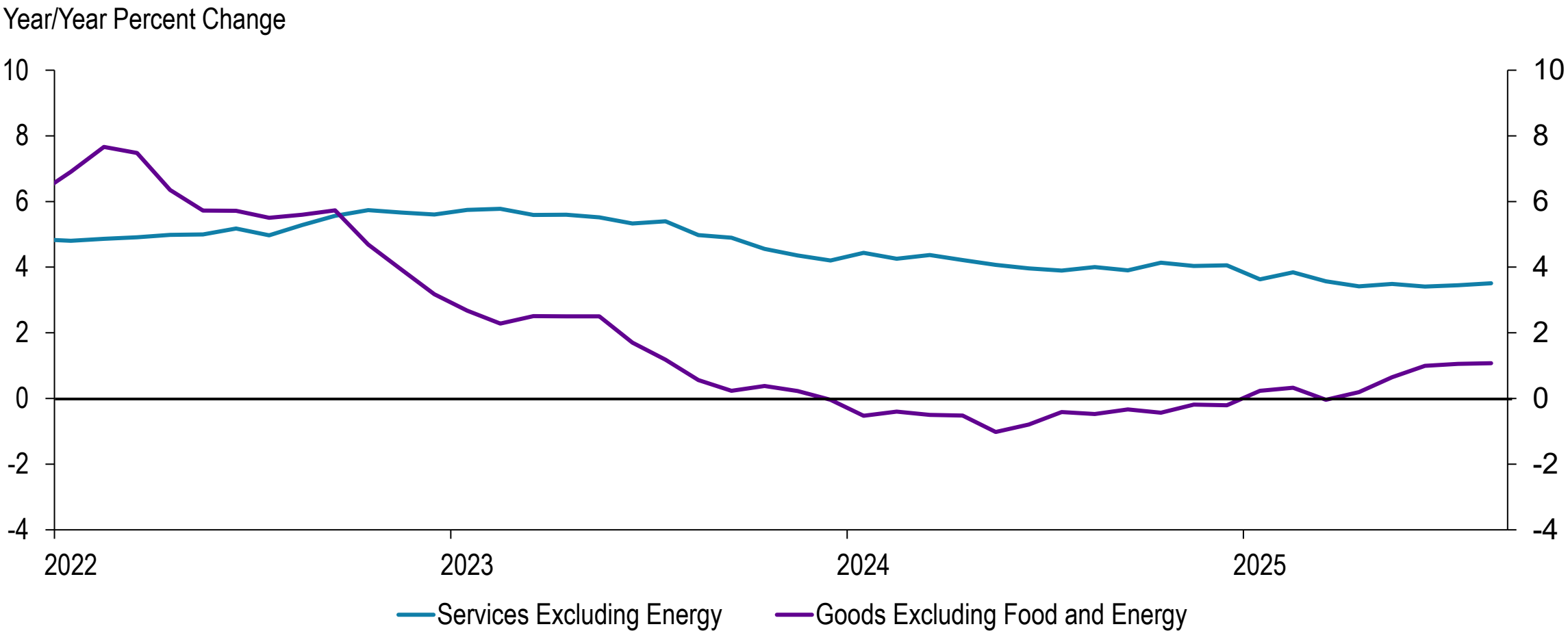


U.S. import price growth remains limited through August data.

Year/Year Percent Change

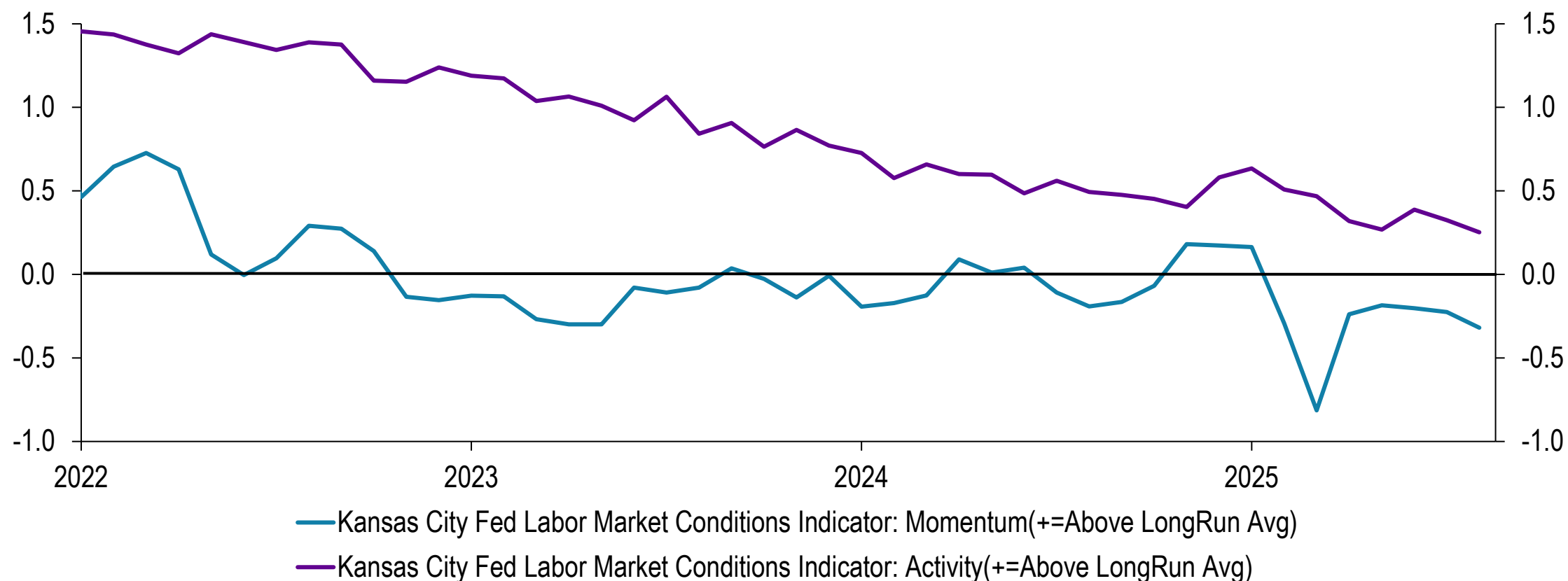


However, consumer measures of goods inflation are trending upward.

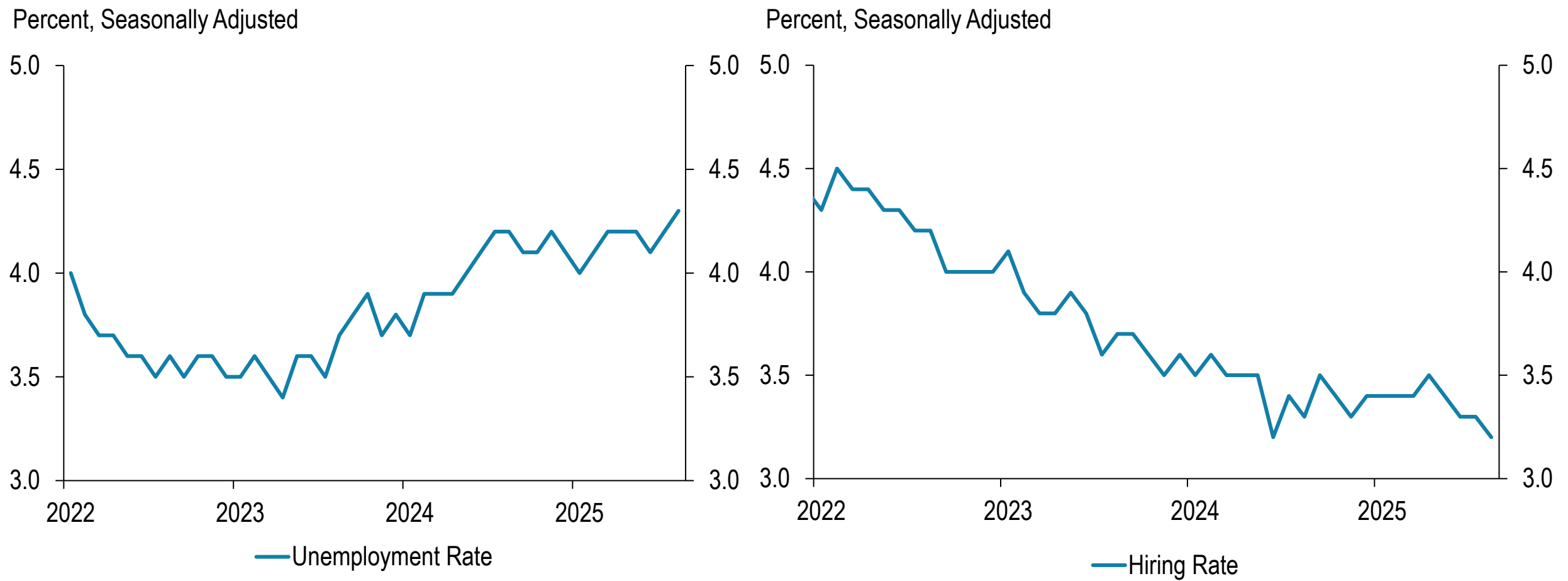


Overall labor market activity and momentum continue to soften.

Index, Positive = Above Long-Run Average

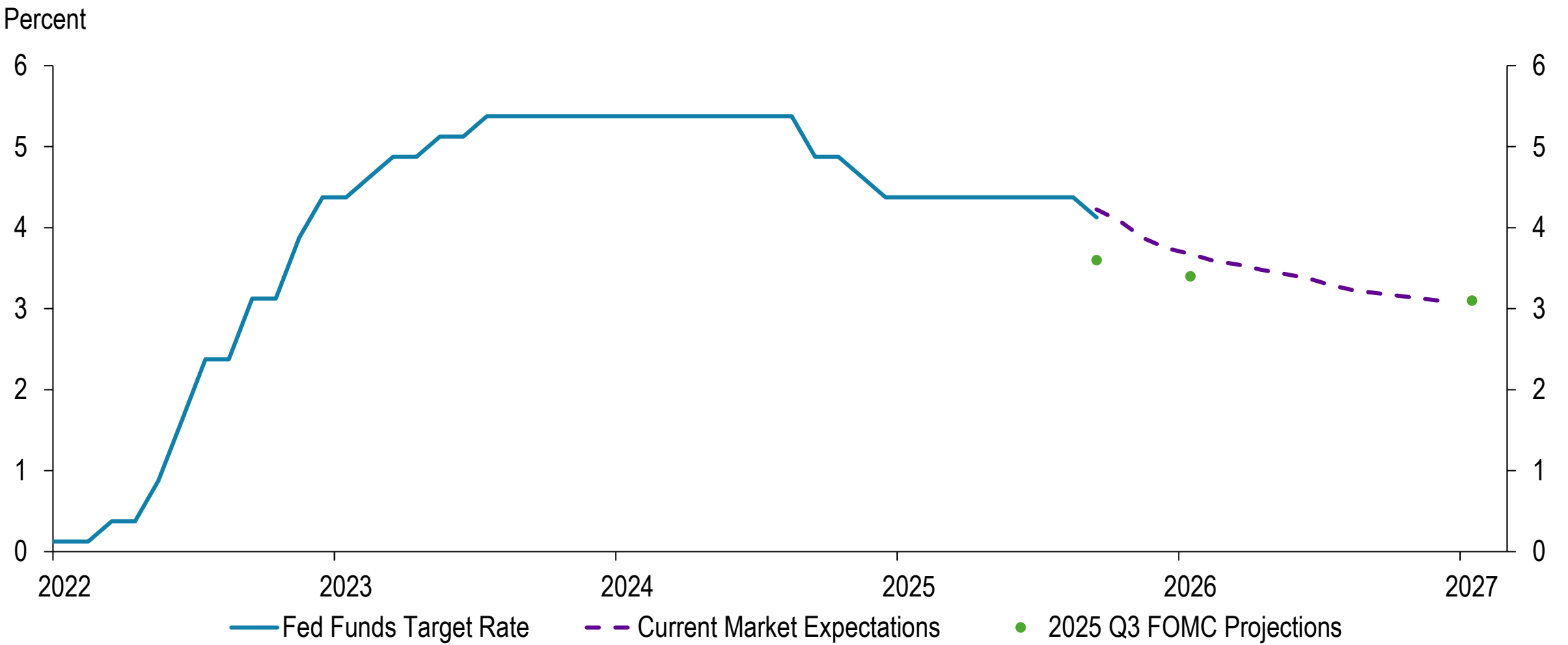


The unemployment rate has ticked up while the hiring rate remains low.



Sources: Bureau of Labor Statistics, Haver Analytics

Markets have priced in an additional 50 basis points of cuts by the end of the year.



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